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C O N F I D E N T I A L MANAGUA 001802

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FOR WHA/CEN AND EB/TRA
STATE PASS TO DEPT OF TRANSPORTATION FOR FAA OFFICE OF
INTERNATIONAL PROGRAM AND POLICY - MEL CINTRON, FAA MIAMI
IAO FOR MAYTE ASHBY, FAA NICARAGUA DESK OFFICER ANNA SABELLA

E.O. 12958: DECL: 08/16/2011
TAGS: [EAIR](#) [ECON](#) [NU](#)
SUBJECT: NICARAGUAN CIVIL AVIATION BILL TAKES OFF

REF: A. MANAGUA 01344
[B](#). MANAGUA 0937

Classified By: Ambassador P. Trivelli for reasons 1.4 b&d.

[1](#)1. (C) Summary: On August 3, the Nicaraguan National Assembly passed a Civil Aviation bill, pending since 2004. The new law establishes an independent civil aviation authority, named the Nicaraguan Civil Aviation Institute (INCA), which will be governed by a board of directors. In the final drafting of the bill, the Army was given the seat originally designated for the Ministry of Defense (MOD). A key benefit to INCA's formation and the updating of civil aviation regulations is that it paves the way for Managua International Airport to achieve FAA's Category I status. Although the law contains new regulations affecting airlines operating in Nicaragua, local country managers are pleased with the final overall results. End Summary.

A new, modern Civil Aviation Code

[1](#)2. (U) On August 3, the Nicaraguan National Assembly passed the Civil Aviation bill which had been pending since 2004 (reftels A and B). The new law establishes the independent Nicaraguan Civil Aviation Institute (INAC) and doubles funding for civil aviation. By bringing Nicaragua's Civil Aviation code into compliance with International Civil Aviation Organization standards, the law also paves the way for Managua International Airport to achieve FAA Category I status. The next step in this process is for Nicaragua to host an FAA inspection.

[1](#)3. (C) In a meeting with Deputy PolCouns, MOD staff expressed displeasure about not having a seat on INCA's Board of Directors. During the National Assembly debate, the Army successfully argued that it be given MOD's seat. Alvaro Miranda, Legal Counsel at the Direction of Civil Aviation (DGAC), told econoff that the MOD lost out because it was not tracking the legislation closely enough. They were unaware of the proposed change until after its approval. When questioned about the Army's interest in INAC, Mr. Miranda responded that the Army often tries to take positions of power because they may serve some purpose in the future. However, he also stated that the President appoints the majority of the members of the Board and, therefore, should be able to control policy. (Comment: Since 1990, the Nicaraguan Army, formerly the Sandinista Popular Army, has become more professional. Although as an institution the Army has accepted the principle of civilian control, elements

continue to resist subordination to the MOD. End Comment.)

Issues for the airlines

¶4. (U) The original bill presented in June 2006 included several articles that were objectionable to U.S. airlines, including one that fixed the commission airlines pay to travel agents at six percent and another that allowed the GON to reject airfares set by airlines. These two were removed from the bill, but other articles of concern remain. One proposed by a Sandinista Assembly Member prohibits the privatization of national airports. Vaguely written, the article may be interpreted to apply to physical airport facilities or, more broadly, to airport management companies. Currently, a private company runs Managua International Airport. Another article allows INAC to establish a floor and ceiling for airline fares when it is in "the national interest."

¶5. (C) Country Director for Continental Airlines Rodolfo Saenz expressed concern about a provision in the law that would require airlines to accept payment in Nicaraguan cordobas. Currently, U.S. airlines only take payment in U.S. dollars and in turn pay all of their fees to the GON and Civil Aviation in dollars. Switching to cordobas would generate exchange costs and might be a roadblock when it comes to repatriating profits. The foreign airlines in Nicaragua have decided, for the moment, not to highlight this issue as they feel they won a great deal in the removal of the articles on commissions and control of airfares. The airlines will continue to quote prices in dollars and passengers who insist on paying in cordobas will pay the official exchange rate of the date of purchase.
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